

**Installment Sale Income**

► Attach to your tax return.

► Use a separate form for each sale or other disposition of property on the installment method.

Identifying number

- 1 Description of property ► .....
- 2a Date acquired (month, day, year) ► / / b Date sold (month, day, year) ► / /
- 3 Was the property sold to a related party (see instructions) after May 14, 1980? If "No," skip line 4. . . . ☐ Yes ☐ No
- 4 Was the property you sold to a related party a marketable security? If "Yes," complete Part III. If "No," complete Part III for the year of sale and the 2 years after the year of sale . . . . ☐ Yes ☐ No

**Part I Gross Profit and Contract Price.** Complete this part for the year of sale only.

- |    |   |    |  |
|----|---|----|--|
| 5  | Selling price including mortgages and other debts. <b>Do not</b> include interest whether stated or unstated                                  | 5  |  |
| 6  | Mortgages, debts, and other liabilities the buyer assumed or took the property subject to (see instructions)                                  | 6  |  |
| 7  | Subtract line 6 from line 5   | 7  |  |
| 8  | Cost or other basis of property sold  | 8  |  |
| 9  | Depreciation allowed or allowable   | 9  |  |
| 10 | Adjusted basis. Subtract line 9 from line 8   | 10 |  |
| 11 | Commissions and other expenses of sale  | 11 |  |
| 12 | Income recapture from Form 4797, Part III (see instructions)  | 12 |  |
| 13 | Add lines 10, 11, and 12  | 13 |  |
| 14 | Subtract line 13 from line 5. If zero or less, <b>do not</b> complete the rest of this form (see instructions)                                | 14 |  |
| 15 | If the property described on line 1 above was your main home, enter the amount of your excluded gain (see instructions). Otherwise, enter -0- | 15 |  |
| 16 | <b>Gross profit.</b> Subtract line 15 from line 14  | 16 |  |
| 17 | Subtract line 13 from line 6. If zero or less, enter -0-  | 17 |  |
| 18 | <b>Contract price.</b> Add line 7 and line 17   | 18 |  |

**Part II Installment Sale Income.** Complete this part for the year of sale **and** any year you receive a payment or have certain debts you must treat as a payment on installment obligations.

- |    |   |    |  |
|----|---|----|--|
| 19 | Gross profit percentage. Divide line 16 by line 18. For years after the year of sale, see instructions          | 19 |  |
| 20 | If this is the year of sale, enter the amount from line 17. Otherwise, enter -0-                                | 20 |  |
| 21 | Payments received during year (see instructions). <b>Do not</b> include interest, whether stated or unstated    | 21 |  |
| 22 | Add lines 20 and 21   | 22 |  |
| 23 | Payments received in prior years (see instructions). <b>Do not</b> include interest, whether stated or unstated | 23 |  |
| 24 | <b>Installment sale income.</b> Multiply line 22 by line 19   | 24 |  |
| 25 | Enter the part of line 24 that is ordinary income under the recapture rules (see instructions)                  | 25 |  |
| 26 | Subtract line 25 from line 24. Enter here and on Schedule D or Form 4797 (see instructions)                     | 26 |  |

**Part III Related Party Installment Sale Income.** **Do not** complete if you received the final payment this tax year.

- 27 Name, address, and taxpayer identifying number of related party .....
- 28 Did the related party resell or dispose of the property ("second disposition") during this tax year? . . . ☐ Yes ☐ No
- 29 If the answer to question 28 is "Yes," complete lines 30 through 37 below unless one of the following conditions is met. Check the box that applies.
- a ☐ The second disposition was more than 2 years after the first disposition (other than dispositions of marketable securities). If this box is checked, enter the date of disposition (month, day, year) ► / /
- b ☐ The first disposition was a sale or exchange of stock to the issuing corporation.
- c ☐ The second disposition was an involuntary conversion and the threat of conversion occurred after the first disposition.
- d ☐ The second disposition occurred after the death of the original seller or buyer.
- e ☐ It can be established to the satisfaction of the Internal Revenue Service that tax avoidance was not a principal purpose for either of the dispositions. If this box is checked, attach an explanation (see instructions).
- |    |  |    |  |
|----|--|----|--|
| 30 | Selling price of property sold by related party (see instructions)                             | 30 |  |
| 31 | Enter contract price from line 18 for year of first sale                                       | 31 |  |
| 32 | Enter the <b>smaller</b> of line 30 or line 31   | 32 |  |
| 33 | Total payments received by the end of your 2005 tax year (see instructions)                    | 33 |  |
| 34 | Subtract line 33 from line 32. If zero or less, enter -0-                                      | 34 |  |
| 35 | Multiply line 34 by the gross profit percentage on line 19 for year of first sale              | 35 |  |
| 36 | Enter the part of line 35 that is ordinary income under the recapture rules (see instructions) | 36 |  |
| 37 | Subtract line 36 from line 35. Enter here and on Schedule D or Form 4797 (see instructions)    | 37 |  |